BEA 東亞銀行

Economic Indicators Analysis **13 August 2026**

US Inflation Continued to Moderate Despite Geopolitical Uncertainties

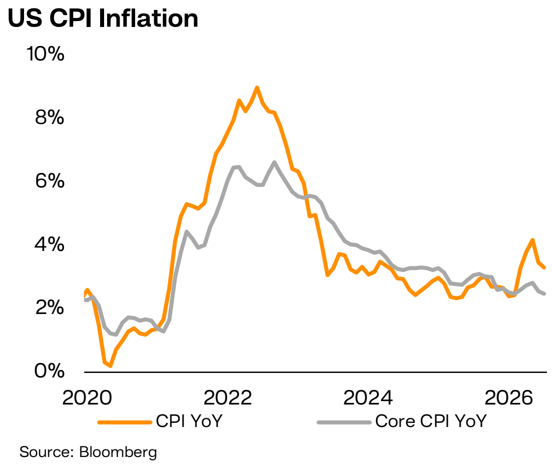
Summary:

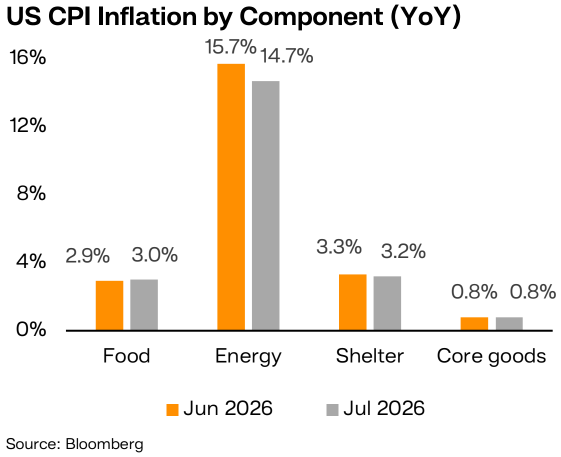
- Headline and core CPI inflation inched down to 3.4% YoY and 2.5% in July, respectively.
- The energy index posted a further decline in July, while a modest increase in the shelter index provided signs of broader moderation in price growth.
- Cooler inflation led financial markets to price in lower odds for a Fed rate hike in September.

US Consumer Price Index (CPI) report for July revealed a continued moderation in inflationary pressures. Headline CPI inflation decelerated to 3.4% year-on-year (YoY), down from 3.5% in June and extending the moderating trend from May's peak of 4.2%. On a monthly basis, headline CPI inflation ticked up by 0.1% month-on-month (MoM), a modest rise after June's 0.4% contraction. Core CPI inflation (which excludes volatile food and energy prices) edged down to 2.5% YoY in July from 2.6% in June, and rose 0.2% MoM after coming in flat the prior month. Furthermore, the CPI data breakdown indicated that key underlying metrics remained stable, reducing fears over a rapid resurgence of inflationary pressures.

The energy index recorded a further decline. The energy price index fell by 1.5% MoM in July, following a 5.7% slump in June. This was led by a moderation in energy commodities such as gasoline (-2.9% MoM) and fuel oil (-1.7%), while energy services rose 0.3% after declining by 0.7% the month before. Despite the monthly decline, energy prices were up 14.7% YoY in July, accounting for a substantial portion of the YoY increase in the headline CPI. Looking ahead, however, global oil prices have ticked up since in early July amid renewed geopolitical tensions in the Middle East, which are poised to exert upward pressure on August's CPI readings. As such, global energy supply conditions are likely to remain a major uncertainty for the near-term inflation trajectory.

Core categories indicated contained price pressures in July. Looking beneath the headline figure, the shelter component rose by just 0.1% MoM in July, matching June's pace, and remained a key anchor of the broader cooling in core inflation. This was particularly notable given that the modest increase in shelter still accounted for roughly two-thirds of the MoM rise in headline CPI. Other service prices posted stable growth, such as airfares (+2.2% MoM), medical services (+0.6%) and education & communication services (+0.5%). Meanwhile, the core goods index increased by 0.2% MoM after declining 0.1% in June. This included a 0.4% MoM increase in used vehicle prices, reversing June's 0.2% decline. Taken together, the data pointed to a continued moderation in underlying inflation.





Lingering geopolitical uncertainties pose risks. Continued tensions in the Strait of Hormuz and volatile energy markets threaten to reignite supply-driven inflation. The inability of the US and Iran to reach a compromise has kept oil prices elevated, with little prospect of a near-term solution, prompting the US Energy Information Administration (EIA) to raise its 2026 oil price forecasts. Moreover, higher energy prices and prolonged supply disruptions at key global trade chokepoints could exert upward pressure on consumer prices, raising the risk of a resurgence in broader inflation.

July's inflation data lowered market expectations for a Fed rate hike in September. With CPI inflation moderating further and labour market conditions weakening more than expected, short-term bond yields retreated as investors reassessed the likelihood of additional monetary tightening, pricing in lower odds of a September rate hike. Looking ahead, the Fed will receive one additional employment report and one CPI release before its September meeting, providing a clearer picture of underlying economic conditions. On balance, we continue to expect one rate hike in late 2026, although the timing will depend on incoming data, financial market developments, and the evolving geopolitical landscape.

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